

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY**  
**Children's Hospital Program of 2008**  
**Proposition 3**

**Staff Summary**  
**Resolution No. CHP-3 2011-02**  
**October 27, 2011**

**Applicant:** Children's Hospital & Research Center at Oakland                      CHO-01-03  
747 52<sup>nd</sup> Street  
Oakland, CA 94609  
Alameda County

**Project Sites:**

Main Hospital at 747 52<sup>nd</sup> Street, Oakland, CA 94609, Alameda County

Outpatient Center at 744 52<sup>nd</sup> Street, Oakland, CA 94609, Alameda County

Walnut Creek Specialty Care Center at 2401 Shadelands Drive, Walnut Creek, CA 94598,  
Contra Costa County

Summit Unit at Alta Bates Summit Medical Center at 3100 Summit Street, Oakland, CA  
94609, Alameda County

**Amount Requested:** \$4,854,856

<b>Summary of Awards to Hospital</b>	<b>2004 Program</b>	<b>2008 Program</b>
Prior Amount Awarded	\$74 million	\$0
Maximum Allowed for Hospital	\$74 million	\$98 million

**Description of Applicant:**

Children's Hospital & Research Center at Oakland (Children's Hospital Oakland) is a non-profit 501(c)(3) general acute care hospital with a current license from the California Department of Public Health. The 2010 (year ending December 31) audit was submitted and is free of "going concern" language.<sup>1</sup>

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<sup>1</sup> The absence of 'going concern' language tends to suggest the organization is in good operational health for that fiscal year. The Authority's regulations define "Going Concern Qualification" in sections 7030(n) and 7051(n) for Proposition 61 and Proposition 3, respectively.

**Project:**

Children's Hospital Oakland is seeking grant funds for a renovation project and patient care equipment. The renovation project (\$446,039) replaced the emergency department flooring. Some of the larger equipment acquisitions and their approximate costs include echocardiogram equipment and systems for \$884,381; automated pharmaceutical dispensing cabinets for \$877,000; a neuro microscope for \$474,000; patient monitors for \$313,000; an upgrade of a computer neuro-navigation system for \$298,402; and an upgrade to a magnetic resonance imaging machine (MRI) for \$281,000.

**Proposition 3 Evaluation Factors:**

Based on the review of the application and other submitted materials, staff evaluated Children's Hospital Oakland's projects using the six factors identified in Proposition 3 language.

*Factor 1: The grant will contribute toward expansion or improvement of health care access by children eligible for governmental health insurance programs and indigent, underserved, and uninsured children:*

The new patient care equipment contributes to children's improved access to health care by expediting procedures, improving patient flow and reducing waiting time.

The two new portable echocardiograph machines are examples of expanded access. One was a replacement and the other is an addition. Children's Hospital Oakland now has four machines to be used in the hospital and its outpatient clinics. The hospital also allows these machines to be used for portable outreach clinics in Brentwood, Marin, Walnut Creek, and Pleasanton thereby making it easier for children to benefit from diagnostic procedures closer to home.

Children's Hospital Oakland upgraded one of its MRIs by installing a new coil that allows the hospital to perform cardiac magnetic resonance exams on larger patients. Prior to the upgrade, only smaller children were able to be scanned at Children's Hospital Oakland. Children's hospitals treat older adolescents and very young children, so the size of patients varies substantially. Now, larger children have the same access to specialized pediatric diagnostic imaging staff and physicians.

The upgraded neuro-navigation system reduces complications, blood loss, and the rate of re-operations in neurosurgeries, and it shortens operating time. As a result, the number of neurosurgeries has increased from 240 per year to over 400. The upgrade has also allowed the hospital to establish a seizure program to surgically treat seizures that do not respond to medication.

One more example of an access improvement is the mobile monitors for the beds at Alta Bates Summit Medical Center. Children's Hospital Oakland leases twenty beds from Alta Bates for use primarily when the main hospital is at maximum capacity. The updated technology allows for digital storage of vital signs so pediatricians retrospectively can see the changes in patients' clinical status, and stored information can move with the patient.

*Factor 2: The grant will contribute toward the improvement of child health care or pediatric patient outcomes:*

The installation of the new emergency department flooring has implications for improved child health outcomes. The older floor presented safety and infection hazards and needed harsh chemicals to clean, wax and resurface the floor. These chemicals can exacerbate medical conditions such as asthma and allergies. The new flooring is more durable and easier to maintain and eliminates the need for harsh cleaning chemicals.

The equipment purchases, too, improve care and patient outcomes. For example, the automated dispensing cabinets are computerized drug storage and dispensing devices that improve inventory management, including by helping the pharmacy to track drug expiration dates. With the automated dispensing cabinets, adverse drug events are reduced by controlling dosage and making sure that expired drugs are not given to the patients.

By way of another example, the neuro microscope allows surgeons to see vascular and nerve structures, including blood flow, under magnification during surgery. This enables them to treat vascular problems and brain tumors more effectively and avoid damaging blood vessels.

*Factor 3: The children's hospital provides uncompensated or undercompensated care to indigent or public pediatric patients:*

Children's Hospital Oakland is a certified California Children's Services (CCS) hospital<sup>2</sup>. In 2010, the hospital provided approximately \$21.2 million in uncompensated and under-compensated care. Children's Hospital Oakland has financial counselors to assist in finding alternative sources of payment from both public and private programs. Also, Medi-Cal eligibility workers are on site to assist the patients' families.

*Factor 4: The children's hospital provides services to vulnerable pediatric populations:*

In fiscal year 2010, Children's Hospital Oakland had approximately 11,000 admissions, 55,000 emergency department visits and 252,262 outpatient visits. The government insured proportion of the hospital's payer mix has increased from 60.9% in fiscal year 2006 to approximately 70% in fiscal year 2010.

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<sup>2</sup> CCS is a statewide program that arranges, directs, and pays for medical care, equipment, and rehabilitation for children and young adults under 21 years of age who have eligible medical conditions and whose families are unable to pay for all or part of their care.

*Factor 5: The children’s hospital promotes pediatric teaching or research programs:*

According to Children’s Hospital Oakland, the hospital has the second largest pediatric residency program in California. The program sponsors over eighty-five residents and fellows, primarily in the departments of Primary Care, Hematology-Oncology, Pulmonology, Emergency Medicine and Infectious Diseases. The hospital recently received a grant from the United States Health Resources and Services Administration in the amount of \$3.84 million to fund four additional residents each year over five years with a focus on primary care.

Also, Children’s Hospital Oakland serves as a teaching hospital for fifteen other hospitals in Northern California. The hospital provides month-long clinical experiences to more than ninety senior medical students from throughout the country.

Children’s Hospital Oakland Research Institute (CHORI) currently has 250 grants totaling \$42 million. CHORI is sixth in the nation for National Institutes of Health pediatric research funding.

*Factor 6: Demonstration of project readiness and project feasibility:*

According to Children’s Hospital Oakland, all equipment was acquired or will be acquired between the dates of November 1, 2009 and March 31, 2012 and the renovation project was completed in August 2010.

<b><u>Source of Funds:</u></b>		<b><u>Use of Funds</u></b>	
CHFFA Grant	\$4,854,856	Equipment Purchases	\$4,408,817
		Renovation	<u>446,039</u>
		Total	\$4,854,856

**Legal Review:**

No information was disclosed to detrimentally affect the financial viability or legal integrity of the applicant.

**Staff Recommendation:**

Staff recommends the Authority approve Resolution No. CHP-3 2011-02 for Children’s Hospital & Research Center at Oakland to provide a grant not to exceed \$4,854,856 (less issuance and administrative costs), subject to all requirements of the Children’s Hospital Program of 2008.